

1 Rules as Proposed

2 2675.6100 BOOKS, RECORDS, AND REPORTS.

3 Subpart 1. [See repealer.]

4 Subp. 2. ~~Recordkeeping-services~~ Data processing off
5 premises. Any credit union receiving recordkeeping services
6 from another credit union or from a service corporation shall
7 provide the following:

8 A. a certificate from the other credit union
9 ~~receiving-such-services~~ or service corporation, stating that it
10 ~~will-comply~~ its agreement to perform the services in compliance
11 ~~with the-provisions-of~~ Minnesota Statutes, section 52.06 and
12 ~~giving-full-assurance-that-the-performance-of-such-recordkeeping~~
13 ~~services-by-the-other-credit-union,-or-the-respective-elerical~~
14 ~~service-corporation-(name-of-either-to-be-given),-will-be~~
15 ~~subject-to-Banking-Division-rules-in-the-same-manner-as-if-such~~
16 ~~services-were-being-performed-by-the-credit-union-itself-and-on~~
17 ~~its-own-premises;~~

18 B. ~~a-certificate-to-be-furnished-by-the-credit-union~~
19 ~~furnishing-such-elerical-services,-or-the-elerical-service~~
20 ~~corporation,-agreeing-as-to-performing-such-services-as-outlined~~
21 ~~in-Minnesota-Statutes,-section-52.06-that-its-performance~~
22 ~~thereof-will-be-subject-to-regulation-and-examination-by-the~~
23 ~~commissioner-of-banks-to-the-same-extent-as-if-such-services~~
24 ~~were-being-performed-by-the-serviced-credit-union-itself-on-its~~
25 ~~own-premises.~~ The certificate must acknowledge that it is
26 subject to regulation and examination to the same extent as if
27 the services were being performed by the credit union on its
28 premises.

29 Subp. 2a. Daily closing. Credit unions that maintain in
30 excess of \$500,000 in accounts subject to draft withdrawal shall
31 post all assets and liabilities daily.

32 Subp. 3. Semiannual audit report. The supervisory
33 committee shall file a report in duplicate on forms furnished by
34 the ~~commissioner-of-banks~~ Department of Commerce, within 30 days
35 after the date of each semiannual audit.

36 Subp. 4. ~~Cash-receipts-and-assets~~ Commingled funds.

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1 cash receipts and assets of the credit union must be kept intact
 2 and ~~not commingled with any~~ separate from other funds under any
 3 circumstances.

4 Subp. 5. [See repealer.]

5 Subp. 5a. Statement of accounts. A statement of account
 6 that itemizes all transactions must be issued at least monthly
 7 for sharedraft accounts. A statement must be issued at the end
 8 of a dividend period on all other accounts, except that a
 9 statement need not be issued more often than quarterly and must
 10 be issued at least annually.

11 Subp. 5b. Inactive and segregated accounts. If the board
 12 determines that an account is inactive and segregated, it must
 13 be issued a statement at least annually. Statements on inactive
 14 accounts must be issued under the control of the supervisory
 15 committee.

16 Subp. 5c. Passbooks. When issued, passbooks must show the
 17 current position of shares, deposits, and loans. The credit
 18 union shall annually notify members to bring passbooks into the
 19 credit union office for current posting. A credit union may not
 20 hold a passbook.

21 Subp. 6. Individual-ledger-cards Issuing account numbers.
 22 A number shall must be assigned to each member in sequence upon
 23 his election to membership, and no such that number shall ever
 24 may never be reissued to any other another member. Each
 25 member's assigned number shall must appear on his passbook and
 26 individual ledger-card record of accounts for shares, deposits,
 27 and loans. All-ledger-cards-must-be-kept-so-that-the-year-can
 28 be-readily-ascertained.

29 2675.6110 PURCHASE OF REAL ESTATE.

30 No A credit union shall may not purchase real estate
 31 unless-approved-by-the-commissioner-of-banks other than for
 32 credit union premises.

33 2675.6111 INVESTMENTS IN CREDIT UNION PREMISES.

34 Investments in credit union premises or leasehold
 35 investments may not exceed 50 percent of total reserves of the

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1 credit union unless the Department of Commerce grants a prior
 2 approval.

3 2675.6120 OTHER REAL ESTATE.

4 Subpart 1. Transfers. Whenever real estate is acquired by
 5 a credit union through foreclosure or by deed in lieu thereof of
 6 foreclosure, it shall must be transferred from loans to an
 7 account titled "other real estate" on the date upon which the
 8 credit union actually acquired title.

9 Subp. 2. Repair and restoration costs. No Costs of
 10 repairs ~~or~~ and costs of restoration of such the property may
 11 not be added to the real estate account, ~~except-such~~ unless the
 12 expenditures ~~as-represent~~ are for permanent improvements. Taxes
 13 delinquent when title is acquired may, when paid by the credit
 14 union, be added to the book value of the property.

15 Subp. 3. Additions to book value. No Additions to book
 16 value may not be made after the date of sale in cases of
 17 foreclosure except as noted in the ~~preceeding-paragraph~~ subpart
 18 2. If a deed is taken in lieu of foreclosure, real estate must
 19 be carried at a figure not exceeding the balance due on the
 20 mortgage, plus delinquent taxes and assessments paid by the
 21 credit union at the time of acquiring title thereto.

22 ~~When-sales-are-made-on-a-contract-for-deed-at-a-price~~
 23 ~~exceeding-the-book-value-of-the-real-estate,-the-profit-involved~~
 24 ~~shall-be-considered-a-deferred-profit-and-held-in-a-reserve~~
 25 ~~account-and-only-credited-to-actual-profit-after-one-third-of~~
 26 ~~the-purchase-price-has-been-paid-on-the-contract,-excluding~~
 27 ~~interest-payments.~~

28 ~~"Other-real-estate"-must-be-charged-off-annually-at-the~~
 29 ~~rate-of-at-least-ten-percent-of-the-original-amount-and-the~~
 30 ~~first-charge-off-must-be-made-not-later-than-12-months-after-the~~
 31 ~~date-of-acquisition.~~

32 Subp. 4. Sale of other real estate. A credit union may
 33 finance the sale of other real estate or credit union premises
 34 under the terms and conditions available to any seller or owner
 35 of real property. A profit on the sale of other real estate
 36 sold on contract is considered deferred profit and must be held

1 in reserve to be realized after two consecutive years of
 2 contracted payments have been made.

3 Subp. 5. Unsold other real estate. Other real estate that
 4 is not sold must be charged off annually through earnings at the
 5 rate of at least ten percent of the original amount. The first
 6 charge off must be based on the number of full months in which
 7 other real estate was booked.

8 2675.6141 REAL ESTATE MORTGAGES.

9 Subpart 1. Loans. Credit unions may make loans upon the
 10 security of real estate if it is a first lien on the real estate.
 11 Additionally, credit unions may take a junior lien if the loan
 12 is made:

13 A. to secure debts previously contracted;

14 B. if at least 80 percent of the principal balance is
 15 guaranteed or insured by a governmental agency or nationally
 16 recognized insurer;

17 C. to secure a loan if the total unpaid aggregate of
 18 all outstanding liens against the same real estate, including
 19 the credit union's proposed lien, does not exceed 80 percent of
 20 its appraised value. A loan made under Minnesota Statutes,
 21 section 52.165 is deemed to comply with this rule if it was in
 22 compliance at the date of its origination.

23 Subp. 2. Appraisal report. Real estate appraisal reports
 24 are required for each mortgage. The appraisal and the
 25 reasonableness of its accuracy is the responsibility of the
 26 credit committee or, in the absence of a credit committee, the
 27 board of directors. The appraisal report and its acceptance by
 28 the board or credit committee must be made part of the mortgage
 29 file.

30 Subp. 3. Valid lien. An attorney's opinion or a title
 31 insurance policy is required on all real estate loans and must
 32 describe the status of fee title, the validity of the credit
 33 union's lien, and the position of the lien.

34 Subp. 4. Insurance. Evidence of adequate insurance with
 35 loss payable clause payable to credit union is required for
 36 mortgages on improved property.

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1 Written binders of insurance are acceptable evidence of
 2 insurance. A credit union may not refuse to accept a binder
 3 tendered at the time of closing as evidence of insurance
 4 coverage required as a condition of a loan agreement; provided
 5 that the binder conforms with usual and customary conditions as
 6 to designation of loss payee and mortgagor.

7 Subp. 5. Fees. As specified by board policy, a credit
 8 union may require members to pay fees in connection with the
 9 making, closing, disbursing, extending, readjusting, or renewing
 10 of real estate loans. Upon acceptance of an application for a
 11 real estate loan, the borrower shall be provided with an
 12 estimate of all costs other than interest authorized by law.
 13 Additionally, the applicant shall be provided with an estimate
 14 of costs to be refunded in the event the loan is not granted.

15 Subp. 6. Exempt loans. Real estate lending policies may
 16 exclude the title perfection requirements of part 2675.6141 on
 17 advances of \$7,500 or less. These loans will not be considered
 18 real estate secured loans for examination purposes or for
 19 purposes of transferring or imposing fees as provided by part
 20 2675.6141, subpart 5.

21 2675.6142 PERSONAL LOANS.

22 Subpart 1. Fees. Charges, other than interest authorized
 23 by law, may not be made for any non-real estate loan except that
 24 there may be charged to the borrower or included in the amount
 25 financed:

26 A. Fees paid or to be paid by the credit union to any
 27 public officer for filing, recording, or releasing in a public
 28 office an instrument securing the loan.

29 B. Premiums or charge for insurance protecting the
 30 lender against the risk of loss from not filing or recording a
 31 security agreement or financing statement and in lieu of filing
 32 the agreement or statement. The premium or charge may not
 33 exceed the actual premium or charge made by the insurance
 34 company to the lender or the actual costs if the documents were
 35 filed, recorded, or released in any public office.

36 C. The premium on any life, accident and health APPROVED IN THE
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1 property, or other insurance written upon or in connection with
2 a loan; provided notification is given in writing that the
3 borrower has the option of furnishing this coverage through
4 existing policies of insurance owned or controlled by him or of
5 furnishing the coverage through any insurer authorized to
6 transact business in this state. The premium may not be
7 included as part of the loan and must be accounted for as a
8 separate receivable unless advanced as part of the principal at
9 the time of origination or payments are increased to provide
10 amortization of the premium within the original maturity of the
11 loan.

12 Subp. 2. Financial statements. An unsecured loan in an
13 amount indicated below must be supported by a signed financial
14 statement of the borrower, comaker, and guarantors that lists
15 the assets and obligations and shows the net worth of the
16 borrower, comaker, or guarantor:

17 A. an unsecured loan in excess of \$1,500 in a credit
18 union with assets of less than \$1,000,000;

19 B. an unsecured loan in excess of \$3,000 in a credit
20 union with assets of \$1,000,000 to \$10,000,000; or

21 C. an unsecured loan in excess of \$5,000 in a credit
22 union with assets of \$10,000,000 or more.

23 Current financial information is also required on loans
24 which the commissioner or his examiners consider inadequately
25 secured. The loan application must show the estimated value of
26 any collateral offered at the time a loan is granted.

27 2675.6143 DELINQUENT LOANS.

28 Subpart 1. Installment loans. A note due on a monthly
29 installment basis must be scheduled for delinquency. The whole
30 principal balance is considered past due if any portion of an
31 installment remains unpaid 60 days after the scheduled payment
32 date. Delinquent loans must be shown by categories coded as
33 follows:

34 A. 60 days to 180 days, code A;

35 B. 181 days to 364 days, code B; and

36 C. 365 days or more, code C.

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1 Subp. 2. Single payment loans. A single payment loan is
2 considered past due the next day after maturity and must be
3 coded past due from that date according to the schedule in
4 subpart 1.

5 Subp. 3. Extensions. A loan is not considered current by
6 extension unless accrued interest has been paid to the date of
7 extension. Special consideration for unusual circumstances
8 affecting the general membership may be permitted by a detailed
9 application to the Department of Commerce.

10 Subp. 4. Delinquent loan report. A detailed report on
11 delinquent loans must be reviewed at each board meeting and made
12 a part of the minutes. The report must include a summary of
13 collection activity, the number of new additions to the
14 delinquent loan list, and a review of loans on the prior month's
15 delinquent loan list which have been extended or rewritten. The
16 board shall verify by direct examination or otherwise that the
17 record of delinquent loans is reasonably accurate.

18 Subp. 5. Delinquent loan reserve requirement. Before
19 declaration of a dividend the board of directors shall ascertain
20 that the statutory reserve as of the date of declaration exceeds
21 the sum of:

22 A. ten percent of code A loans;

23 B. 25 percent of code B loans; and

24 C. 100 percent of code C loans.

25 No net earnings or undivided earnings may be used to pay
26 dividends until the statutory reserve exceeds the above
27 calculations or the commissioner of commerce has approved
28 payment.

29 Subp. 6. Interest earned not collected. Interest earned
30 not collected reflected on a credit union's books under the
31 accrual method of accounting may not be continued on a loan
32 which is more than 90 days delinquent. Accrued interest must be
33 reversed to earnings or undivided profits at the time a loan is
34 charged off to the statutory reserve fund or at the time an
35 allowance for loan losses is established.

1 Subpart 1. Change. Notice of any change in officers,
 2 directors, or committee members between annual meetings must be
 3 forwarded to the ~~commissioner-of-banks~~ Department of Commerce
 4 within ten days ~~after-such~~ of the effective date of the change.

5 Subp. 2. Review of examiner's report. When the examiner's
 6 report is received by a credit union, it must be reviewed by the
 7 board of directors at a regular or special meeting ~~within-30~~
 8 ~~days-after-its-receipt~~ and a reply must be submitted to the
 9 Department of Commerce within 60 days of the receipt of the
 10 report or as instructed in the transmittal letter. The letter
 11 from ~~this~~ the Department of Commerce which accompanies the
 12 report must also be read at the directors' meeting. The
 13 ~~directors'-reply-must-be-on-the-form-attached-to-the-face-of-the~~
 14 ~~examiner's-report.--The-minutes-must-show-the-fact-that-the~~
 15 ~~directors-reviewed-the-report-and-also-any-action-taken.~~

16 Subp. 3. [See repealer.]

17 Subp. 4. Minute book. The minutes of any meeting must be
 18 written up as soon as practicable and signed by the secretary
 19 and the presiding officer at the next meeting ~~as-seen-as~~
 20 ~~approved~~ upon approval. ~~They-should~~ The minutes must be kept in
 21 a book and be available along with the credit union records for
 22 inspection by the commissioner of banks commerce or his
 23 representatives at all times with or without previous notice.

24 2675.6210 ASSET RECEIPT.

25 Whenever it becomes necessary to remove any asset from the
 26 files for any reason whatsoever, ~~an-authentic~~ a properly
 27 executed receipt attached to a copy of ~~such~~ the asset must
 28 replace it.

29 2675.6220 CHARGED OFF ASSETS.

30 A record of all assets charged off, either to the statutory
 31 reserve fund or undivided earnings, along with recoveries
 32 thereto must be maintained. This record ~~should-be-kept-current~~
 33 and must be available to the examiners at each examination.

34 2675.6230 FURNITURE AND FIXTURES ACCOUNT.

35 Purchases capitalized to the furniture and fixtures account

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1 shall be amortized at the minimum rate of ten percent annually,
 2 ~~with-such-exceptions-as-may-be~~ unless exception is made by the
 3 commissioner of banks commerce. ~~Each-such-annual-charge-shall~~
 4 ~~be-based-on-the-remaining-book-value-at-the-end-of-each-year~~ The
 5 charge off may be based on the number of full months in which
 6 the item was capitalized. Adequate records must be maintained
 7 to facilitate a determination of the unamortized amount of each
 8 capitalized item.

9 2675.6250 SURETY FIDELITY BONDS.

10 Subpart 1. Minimum provisions. A credit unions union
 11 operating under Minnesota law ~~shall-be~~ is required to be
 12 protected by a blanket bond with the following provisions: all
 13 officers, committee members, employees, bank messengers, and
 14 attorneys representing the credit union shall be covered by the
 15 bond. The credit union shall be protected against losses from a
 16 lack of honesty ~~or-a-lack-of-faithful-performance~~, burglary or
 17 robbery, forgery or alteration, and misplacement or mysterious
 18 and unexplainable disappearance. ~~The-schedule-of-basic-coverage~~
 19 ~~required-shall-be-as-set-forth-in-part-2675.9910~~ The amount of
 20 the bond must be not less than 100 percent of assets up to
 21 \$2,000,000. The bond must be approved by the Department of
 22 Commerce. The bond must provide that the commissioner of
 23 commerce will be given notice of pending cancellation within 60
 24 days of final termination.

25 Subp. 2. [See repealer.]

26 Subp. 3. Table of maximum deductibles. A bond may include
 27 a deductible provision for the following amounts:

<u>Assets</u>	<u>Maximum</u>
<u>Deductible</u>	
<u>0 to \$100,000</u>	<u>\$ 0</u>
<u>\$100,001 to \$250,000</u>	<u>500</u>
<u>\$250,001 to \$500,000</u>	<u>750</u>
<u>\$500,001 to \$750,000</u>	<u>1,000</u>
<u>\$750,001 to \$1,000,000</u>	<u>1,500</u>
<u>\$1,000,001 to \$2,000,000</u>	<u>2,000</u>
<u>\$2,000,001 to \$3,000,000</u>	<u>3,000</u>

1	<u>\$3,000,001 to \$5,000,000</u>	<u>4,000</u>
2	<u>Over \$5,000,000</u>	<u>5,000</u>

3 2675.6270 INVESTMENT-RECORDS INVESTMENTS.

4 Subpart 1. Records required. During the period in which
5 investments are carried on a credit union's books, ~~it shall be~~
6 ~~required that:~~

7 A. original invoices of bond purchases and sales must
8 be retained as a part of the records of a credit union.

9 B. A record must be maintained of all securities
10 bought and sold showing date of purchase or sale, interest rate,
11 maturity, par value, description, from whom purchased, to whom
12 sold, selling price, and where deposited for safekeeping.

13 C. Any investment, other than U.S. United States
14 governments direct and/or guaranteed, ~~shall~~ must be supported by
15 full credit information at the time of purchase (dealer's
16 circular or prospectus) ~~and~~.

17 D. Subp. 2. Bond price exceeding par. Purchase of a
18 security bond at a price exceeding par is prohibited, unless the
19 credit union shall:

20 (1) A. charge off the premium when the
21 securities are placed on the books; or

22 (2) B. provide for the regular amortization of
23 the premium paid so that the premium shall be entirely
24 extinguished at or before the maturity of the security and the
25 security (including premium) shall at no intervening date be
26 carried at an amount in excess of that at which the obligor may
27 legally redeem such security; or

28 (3) C. set up a reserve account to amortize the
29 premium, said account to be credited periodically with an amount
30 not less than the amount required for amortization under ~~subitem~~
31 (2) item B.

32 Subp. 3. Charges. Accrued interest paid on securities
33 must be charged to interest received under the cash basis of
34 accounting. Bond commissions and all costs of sales or purchase
35 must be charged to expense.

36 Subp. 4. Security at price less than par. Upon the

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1 purchase of a security at a price less than par, the credit
 2 union shall place such the security on its books at cost and may
 3 provide for the regular accretion of the discount, ratably over
 4 the period from purchase to maturity of the security.

5 2675.6290 INSURANCE.

6 Subpart 1. Insurance agency. A credit union may
 7 establish, operate, or maintain an insurance agency as a
 8 separate corporation or agency within its physical premises.

9 Subp. 2. Policyholder. A credit union may be the
 10 policyholder of either a group insurance plan or a subgroup
 11 under a master policy plan.

12 Subp. 3. Remission of premiums. Premiums may be remitted
 13 by the credit union to an insurer or the holder of a master
 14 policy on behalf of a credit union member provided that said the
 15 credit union has obtained written authorization from such the
 16 member.

17 ~~The credit union may accept reimbursement from the insurer~~
 18 ~~for the actual cost of ministerial tasks performed pertaining to~~
 19 ~~insurance.--This reimbursement shall not exceed ten percent of~~
 20 ~~gross premiums.--The credit union may not accept a commission on~~
 21 ~~the insurance sale.~~

22 Subp. 4. Election by member. Where a credit union is
 23 engaged in the facilitation of its members' voluntary purchase
 24 of types of insurance incidental to the borrowing of money for
 25 provident and productive purposes, including but not limited to
 26 fire, theft, automobile, life, and temporary disability
 27 insurance, a member shall be given the elective of purchasing
 28 any required insurance from the vendor of his choice, and the
 29 members' file shall contain his signed written elective.

30 Subp. 5. Canceled insurance. If the insurance is
 31 canceled, the unearned premium shall be paid to the member or
 32 credited to the member's share or deposit or loan account as the
 33 case may be.

34 2675.6301 CERTIFIED PUBLIC ACCOUNTANT REPORT IN LIEU OF
 35 EXAMINATION.

1 Subpart 1. Request for approval. A credit union may
2 request prior approval by the Department of Commerce to submit a
3 certified public accountant report in lieu of examination. If
4 approval is given, the department retains the authority to
5 reject the report if it is inadequate by the standards of the
6 department.

7 Subp. 2. Contents of report. A report submitted in lieu
8 of examinations must include a balance sheet examination and the
9 classifying of assets in a manner consistent with Department of
10 Commerce credit union examinations. The report must be
11 submitted on the same forms and in the same manner that
12 Department of Commerce credit union examiners employ.

13

14 REPEALER. Parts 2675.6100, subparts 1 and 5; 2675.6130;
15 2675.6140; 2675.6150; 2675.6160; 2675.6170; 2675.6180, subpart
16 3; 2675.6190; 2675.6240; 2675.6250, subpart 2; 2675.6280;
17 2675.6300; and 2675.9910 of the Department of Commerce are
18 repealed.